

Internal Revenue Service
Tax-Exempt & Government Entities Division
Office of Exempt Organizations
Draft Form 990 Redesign- Schedule D
June 14, 2007

Overview

- Schedule D contains a compilation of various financial statement attachments, most of which are required in the 2006 Form 990. The Service believes that compiling all of the attachments in a single schedule will improve and standardize reporting of this information. There are some significant additions, however.
- Uncertain Tax Positions – FIN 48 Footnote Disclosure (Part VIII)
 - The Service has determined that the Form 990 should indicate if an organization disclosed any uncertain tax positions in the organization's financial statements pursuant to FIN 48. The disclosure of this footnote on the Form 990 is necessary for both the Service and the public since the audited financial statements of tax-exempt organizations, while sometimes public, are not readily available for review as they are not for companies registered with the Securities and Exchange Commission. **Disclosure of this footnote on the Form 990 has no impact on the Service's position relating to requests for tax accrual workpapers. Such workpapers will continue to be governed by existing Internal Revenue Manual provisions.**
- Art – Valuation of Collection Footnote Disclosure (Part X)
 - Part X requires new information from organizations that maintain collections of art, historical treasures and other similar assets
 - Under Generally Accepted Accounting Principles (GAAP) as stated in SFAS 116, certain collections of art that are determined to be difficult to value are permitted to be excluded from an organization's financial statements. The Service is concerned that excluding the value of such collections does not present a complete picture of an organization's financial status. Therefore, the Service is requiring the disclosure, on Form 990, of the financial statement footnote relating to such exclusions. The Service requests comments on alternatives for improving transparency of an organization's holdings of such collections.
- Endowment Funds – Part XII
 - Part XII requires new information from organizations that maintain endowment funds
 - The table attempts to capture an organization's spending of endowment fund assets over a period of five years. The Service is requesting comments on alternatives to improve transparency of an organization's accumulation of endowment fund assets including through related organizations, and the rationale for such accumulation.

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- The Service requests comments on other suggestions for improving the transparency of differences between financial reporting under GAAP and financial reporting for tax purposes.
- Parts I through VII accumulate the required information for the following items from redesigned Form 990, Part VI
 - line 11, Investments – Other securities
 - line 12, Investments – Land, Buildings, and Equipment
 - line 13, Investments – Other
 - line 14, Investments –Program Related
 - line 15, Program Related – Land, Buildings, and Equipment
 - line 16, Other Assets
 - line 26, Other Liabilities
- Part VIII replaces the attachment for 2006 Form 990, Schedule A, Part III question 3 regarding conservation easements
- Part IX replaces 2006, Form 990, Schedule A, Part III, questions 4d through 4g regarding donor advised and other similar accounts
- Part XI requires new information from organizations that work with trust or escrow accounts that an organization does not report on its own balance sheet
- Part XIII replaces lines 18 through 21 from the 2006 Form 990
- Parts XIV and XV replace Parts IV-A and IV-B from the 2006 Form 990

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20XX Schedule D Instructions

Who Must File

All organizations must complete and attach Schedule D to Form 990.

If an organization is not required to file Form 990, it is not required to file Schedule D.

Period Covered

Schedule D covers the same period as the Form 990 with which it is filed.

Part I Investments — Other Securities.

Complete this table if the organization entered an amount on Form 990, Part VI, Line 11. The organization must list each security, partnership or fund that is not publicly traded. For example, this includes stock in a closely held company whose stock is not available for sale to the general public or which is not widely traded. Other securities also include publicly traded securities for which the organization holds 5% or more of the outstanding shares of the same class.

Publicly traded securities include common and preferred stocks, bonds (including governmental obligations such as bonds and Treasury bills), and mutual fund shares that are listed and regularly traded in an over-the-counter market or an established exchange and for which market quotations are published or are otherwise readily available.

Do not include program related investments.

Column (a). Describe the investment, including the name of the security and the number of shares held.

Column (b). Enter the book value for each investment.

Column (c). Indicate whether the investment is listed at cost or end-of-year market value. When valuing securities at fair market value, use commonly accepted valuation methods. (See Regulations section 20.2031-2.)

Part II Investments — Land, Buildings, & Equipment

Complete this table if the organization entered an amount on Form 990, Part VI, Lines 12a, 12b or 12c.

Column (a). Describe the land, buildings, and equipment held for investment purposes.

Column (b). Enter the cost or other basis of all land, buildings, and equipment held for investment purposes, such as rental properties. Enter the total of column (b) on Form 990, Part VI, line 12a.

Column (c). Enter the accumulated depreciation. Enter the total of column (c) on Form 990, Part VI, line 12b.

Column (d). Enter the difference of column (b) minus column (c). Enter the total of column (d) on Form 990, Part VI, line 12c – Column (B) End of Year.

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Part III Investments—Other

Complete this table if the organization entered any amount on Form 990, Part VI, Line 13

Column (a). List each investment that is not classified as securities, land, buildings, equipment, or program-related investments. Collectible art, vehicles, jewelry, or other types of personal property held for investment, and intended to produce income would be included in this category.

Column (b). Enter the book value for each investment.

Part IV Investments— Program Related

Complete this table if the organization entered an amount in Part VI, Line 14.

Column (a). List each program-related investment. These are investments made primarily to accomplish the organization's exempt purposes rather than to produce income. Examples of program-related investments include student loans and notes receivable from other exempt organizations that obtained the funds to pursue the reporting organization's exempt function.

Column (b). Enter the book value of each investment.

Column (c). Indicate whether the investment is listed at cost or end-of-year market value.

Part V Program Related – Land, Buildings and Equipment

Complete this table if the organization entered any amount in Part VI, Line 15.

Column (a). List all land, buildings, and equipment owned by the organization and not held for investment. This includes any property, plant, and equipment owned and used by the organization in conducting its exempt activities.

Column (b). Enter the cost or other basis of all land, buildings, and equipment owned by the organization and not held for investment. Enter the total of column (b) on Form 990, Part VI, line 15a.

Column (c). Enter the accumulated depreciation. Enter the total of column (c) on Form 990, Part VI, line 15b.

Column (d). Enter the difference of column (b) minus column (c). Enter the total of column (d) on Form 990, Part VI, line 15c – Column (B) End of Year.

Part VI Other Assets

Complete this table if the organization entered any amount in Part VI, Line 16.

Column (a). List each asset not held for investment purposes or not used in the accomplishment of the organization's exempt purposes. Intangible assets such as goodwill or intellectual property would be included in this category.

Column (b). Enter the total book value of these assets. Enter the total amount on Form 990, Part VI, line 16.

Part VII Other Liabilities

Complete this table if the organization entered any amount in Part VI, Line 26.

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Column (a). List each liability not reported on lines 18 through 25 of Form 990, Part VI.

Note: an organization must separately state the total of liability for federal income taxes on the line provided.

Column (b). Enter the book value of each liability.

The organization must provide the text of the footnote to its financial statements, if applicable, regarding liability for uncertain tax positions under FIN 48

Part VIII Conservation Easements

All organizations that answered "Yes" to Form 990, Part VII, line 2 must complete this Part. All other organizations may skip to Part IX.

An easement is an interest in the land of another.

A conservation easement is an interest in the land or real property of another for purposes that include environmental protection; the preservation of open space; or the preservation of property for historic, educational, or recreational purposes. For more information see Notice 2004-41, 2004-28 I.R.B. 31.

Part IX Donor Advised Funds

All organizations that answered "Yes" to Form 990, Part VII, line 4 must complete this Part. All other organizations may skip to Part X.

A *sponsoring organization* is any organization which:

- is described in section 170(c), except for governmental organizations described in section 170(c)(1) or (2)(A);
- is not a private foundation as defined in section 509(a); and
- maintains one or more donor advised funds.

Generally, a *donor advised fund* is a fund or account:

1. That is separately identified by reference to contributions of a donor or donors;
2. That is owned and controlled by a sponsoring organization; and
3. For which the donor or donor advisor has or reasonably expects to have advisory privileges in the distribution or investment of amounts held in the donor advised funds or accounts because of the donor's status as a donor.

A *donor advisor* is any person appointed or designated by a donor to advise a sponsoring organization on the distribution or investment of amounts held in the donor's fund or account.

Exception. A donor advised fund does not include any fund or account:

1. That makes distributions only to a single identified organization or governmental entity, or
2. In which a person described in 3 above gives advice about which individuals receive grants for travel, study, or other similar purposes, if:
 - a. The person's advisory privileges are performed exclusively by such person in his or her capacity as a committee member in which all of the committee members are appointed by the sponsoring organization;
 - b. No combination of donors or donor advisors (and related persons as defined below) directly or indirectly control the committee;
 - c. All grants from the fund or account are awarded on an objective and nondiscriminatory basis following a procedure approved in advance by the board of directors of the sponsoring

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organization. The procedure must be designed to ensure that all grants meet the requirements of sections 4945(g)(1), (2), or (3); or

3. That is excepted under section 4966(d)(2)(C). For example, see Notice 2006-109, 2006-51 I.R.B. 1121, and any future related guidance.

A *related person* is any family member (as defined in section 4958(f)) of the donor or donor advisor and any 35% controlled entity (as defined in section 4958(f)) of the donor or donor advisor.

See Notice 2006-109, and any future related guidance for more information.

Column (a). Complete column (a) for all donor advised funds maintained by the organization.

Column (b). Complete column (b) for separate funds or accounts, other than donor advised funds, where donors have the right to provide advice on the distribution or investment of amounts held in such funds or accounts.

Part X Organizations Maintaining Collections of Art, Historical Treasures, and Other Similar Assets

All organizations that answered "Yes" to Form 990, Part VII, line 5 must complete this Part. All other organizations may skip to Part XI.

Part XI Trust/Escrow Liability

All organizations must answer question 1. If "No", skip to part XII.

Part XII Endowment Funds

All organizations that answered "Yes" to Form 990, Part VII, line 16 must complete this Part. All other organizations may skip to Part XIII.

Part XIII Reconciliation of Net Assets

All organizations must complete this Part.

Parts XIV and Part XV Reconciliation Revenues and Expenses to Audited Financial Statements

An organization that obtained an audit of its financial statements to determine compliance with Generally Accepted Accounting Principles ("GAAP") must complete Parts XIV and XV. If the organization did not obtain such an audit, it does not need to complete Parts XIV and XV and should instead enter "N/A" on line 1 of each Part.

On line 4a of Parts XIV and XV, include only those investment expenses netted against investment income in the revenue portion of the organization's audited financial statements. Do not include program-related investment expenses or other expenses reported as program service expenses in the audited statement of activities.